

Date : 8/19/2015 4:56:55 PM

From : "Quinton, Diana"

To : "Bown, Charles W." , "English, Tracy" , "Morris, Paul J." , "Marnell, Debbie" , "Froude, Ian" , "Dalley, Derrick"

Subject : FW: Draft Comms Plan for Muskrat Falls update

Attachment : Communications Plan_MF Project Update 2015_Aug 19 draft 6.docx;ATT00002.jpg;

FYI

From: KONEill@nlh.nl.ca [mailto:KONEill@nlh.nl.ca]

Sent: Wednesday, August 19, 2015 3:26 PM

To: MacLean, Heather

Cc: Quinton, Diana

Subject: Draft Comms Plan for Muskrat Falls update

Hi Heather,

I just tried your landline but missed you.

Here's the DRAFT comms plan that I prepared for the MF update.

I've redone the schedule based on the feedback that it should be planned for after Labour Day. I moved it to the following week because Hydro's General Rate Application hearing starts on Sept. 9 so we need to stay away from that date. Alternatively, it could be moved to the week of Aug 31 as an option.

When's a good time to chat? I'd like to get your feedback from the meeting yesterday and discuss next steps. I understand Minister Wiseman is also looking for some additional information so I want to capture the information that has been requested from us.

I'm around all afternoon if you have a chance to call me.

Thanks

Karen



Karen O'Neill

Communications Manager
Lower Churchill Management Corporation
Nalcor Energy - Lower Churchill Project
t. 709.737.1427 c. 709.690.2012
e. koneill@nalcorenergy.com
1.888.576.5454

You owe it to yourself, and your family, to make it home safely every day. What have you done today so that nobody gets hurt?

“This email and any attached files are intended for the sole use of the primary and copied addressee(s) and may contain privileged and/or confidential information. Any distribution, use or copying by any means of this information is strictly prohibited. If you received this email in error, please delete it immediately and notify the sender.”



DRAFT COMMUNICATIONS PLAN

Muskrat Falls Project Update

Issue: Announcement of update on Muskrat Falls Project

<p>Consulted With: Ed Martin, Gilbert Bennett, Derrick Sturge, Dawn Dalley, Auburn Warren and LCP PMT team</p>	<p>Date Drafted: Aug 6, 2015 Drafted By: Karen O’Neill Revised: August 19, 2015</p>	<p>Update Date: Week of Sept 14, 2015 (Date TBC)</p>
---	--	---

COMMUNICATIONS ANALYSIS

PUBLIC ENVIRONMENT

- Based on the most recent opinion polling completed this spring/early summer, about 2/3 of the population of NL support the Muskrat Falls Project.
- With the continued drop in the price of oil, some will question the economics of the Muskrat Falls Project as the best energy option for the province.
- There is a vocal, but minority voice (about 15% of the public voice) who will speak out against the project and criticize Nalcor and the provincial government for mismanagement of the project and the costs.

STRATEGIC CONSIDERATIONS

- The drop in the price of oil means that the province is facing a poor fiscal situation and additional costs for the Muskrat Falls Project will be seen as a hard financial impact to the province.
- This will be the second cost update since December 2012 (\$6.2B). The first in June 2014 (\$6.99B). With this recent cost change the total increase in capital cost since December 2012 is around \$1.45B.
- It’s been noted that the project is tracking behind the projected schedule. There has not been a change to the overall milestone schedule, however there are schedule challenges and pressures on the powerhouse component of the project.
- The cost changes will mean another increase in electricity rates for our customers.
- The GRA for NL Hydro is starting at the PUB on September 9 until November 10. NL Hydro is seeking a 3% rate increase for Island Interconnected NLH customers.

- In addition, there were recent rate changes for customers. There was an approximate 4.9% decrease to residential customers on the island. While this was a positive change, the provincial government removed the Residential Energy Rebate from all home heating effect July 1. This is equivalent to an increase of 8%.
- The federal election was just called and the provincial election will be held at the end of November 2015.

TARGET AUDIENCES

Internal:

Nalcor/LCP Boards
 Nalcor Leadership Team
 LCP and Nalcor employees
 Muskrat Falls Project workers

Government:

Government of NL
 Premier's Office and Department of Natural Resources
 Government Oversight Committee
 Cabinet and Caucus
 Federal Government
 Natural Resources (and MWH (IE))

External:

Emera (inc. Emera NL)
 IBEW, RDTC
 Primary Contractors – Valard and Astaldi
 Nalcor and LCP key stakeholders
 NL Public
 NL Media

COMMUNICATIONS GOALS/OBJECTIVES

Primary

- To show people and let them know that construction on the Muskrat Falls Project is progressing well. The majority of the project is progressing on schedule.
- To highlight the benefits to NL from the ongoing construction of the project.
- To own the narrative on the project progress and explanation of the cost challenges and corresponding rate impacts on customers.
- To provide context for cost increases and provide some comparison to the challenges that other large projects are also experiencing in NL and why.
- To reiterate our confidence that this is the right decision for NL's future.

- To let people know that we have the competency to deliver this project for the people of our province.
- To ensure residents of NL understand the value the Muskrat Falls Project is currently bringing to NL and what it will mean for our future (speak to benefits achieved and to come).
- Instill pride in NLers in our energy future and what the Muskrat Falls Project will provide for future generations of NLers (focused emotional messaging – long-term vision, tap NL pride – give people hope and promise)
- To ensure citizens have the information they require to understand both the ongoing public, media and political discussion on MF.
- To help build trust and credibility in both the government and Nalcor, and demonstrate to citizens that we are doing the right thing for NL for today and the future (Gov't and Nalcor's investments in our energy assets will return significant value to NLers).
- To build support and confidence with key project stakeholders, influencers and our workers.

COMMUNICATIONS STRATEGY

APPROACH AND RATIONALE

The upcoming announcement of the current status of the Muskrat Falls Project must be carefully planned and strategic from a communications perspective. Any communications activity must take into account what we want to achieve and what we want the focus of the media coverage to be. It is important to ensure that our stakeholders understand the progress that has been made to date on the construction of the Muskrat Falls Project, the benefits that are being accrued to NLers and the provincial economy, and the reasons why Muskrat Falls is necessary for our province, all while balancing the cost changes and the impacts to our electricity customers.

The major financial challenges that Muskrat Falls is facing surround significant increased cost of some large contracts resulting from market pressures and market conditions, as well as additional labour costs and contractor productivity. It is important that Nalcor address these issues without compromising our commercial position with current and future contractors. We need to provide the proper context around these challenges. For example, several major construction projects in NL and around the globe is facing a competitive marketplace and market pressures. Nalcor needs to explain the cost challenges in the context of these issues.

Our approach will deal with the financial and schedule reality head on in an open and transparent way. But we will do so with the proper focus and understanding of the entire project – including Project Progress, Challenges, Impacts and current and future Benefits of the Muskrat Falls Project.

All communications materials will have these themes.

The CEO will be well-prepared to ensure the focus of the briefings and interviews is balanced. The tone should be balanced on noting the progress that has been made while being clear on the cost, rate and potential schedule challenges and financial reality.

Approach

The communications approach is focused on internal, government (provincial and federal) and external audiences as outlined below. The MF Project Update will focus on delivering information on the overall project progress, discuss the cost challenges that have been experienced and the cost impact these are having on the project and similarly other large-scale construction projects in NL, and what these cost changes may mean for our province (electricity customers and the NL government), and conclude with the overall benefits of the project.

Leading up to the public Project Update:

- Nalcor will brief NL government officials with a detailed briefing deck and overview of the project and challenges which have led to cost changes since June 2014.
- Nalcor will brief the Boards prior to the required signatures for the AFE.
- Nalcor will provide an update to NRCan and MWH prior to the public project update.
- In the two weeks preceding the project update, LCP Comms team will increase its stakeholder distribution list then release information about the ongoing benefits and construction progress. This will be done following the MF Project Monthly Benefits Report and primarily through social media.
- A benefits infographic will be issued following the June benefits report in mid/late August.
- Set up key stakeholder meetings and add information on the project progress and highlight high-level challenges.

Week before the public Project update:

- Continue with ongoing key stakeholder meetings and add information on the project progress and highlight high-level challenges.
- Finalize a stakeholder key information/message list about the MF benefits and progress.
- Inform our main contractors and partners of the update – Astaldi, Valard and Emera.
- Finalize information for stakeholders that they could use in their Letters to the Editor, calls to radio in support of the MF Project for our province.

Week of Project update:

- Information will be shared with the media and public on the construction progress, benefits and an update on costs. An update will be provided by Ed Martin to media.
- Comms team to issue tweets with pictures and notes on progress.
- Issue a project infographic on the project progress and key benefits to date (employment and economic).
- Tweets will be prepared to respond to questions (not criticisms) on the project.
- Ed Martin will conduct targeted media interviews over two days. We'll also plan media with special programs (i.e., Out of the Fog, Issues and Answers).

- Following the release of information, Ed Martin and Gilbert Bennett will conduct targeted key stakeholder outreach and speak to our supporters to re-energizing the people and make them feel good about supporting Muskrat Falls.
- A Letter to the Editor will be prepared and released following the first letter in the paper from project opposition.

KEY MESSAGES

1. Construction of the Muskrat Falls is bringing immediate economic and employment benefits to residents of our province and to our provincial economy.
2. Thousands of Newfoundlanders and Labradorians are building this historic project today for our province's future. Construction of the project is progressing well.
3. Our electricity system will be based on clean, renewable power. This project will reduce our greenhouse gas emissions, and ensure we are not relying on oil to meet our electricity needs.
4. Nalcor is focused on delivering the Muskrat Falls Project to Newfoundlanders and Labradorians in an economical and cost-effective way. We are managing this project to provide the most value for today and for many generations to come and are focussed on achieving the project milestones that are ahead of us.
5. Muskrat Falls remains the best project to meet the long-term energy needs of our province.

Theme 1: We're making great progress on the project.

Key Messages:

1. We are making great progress on the Muskrat Falls Project and the majority of the work is on track.
2. We are realizing tremendous benefits from this project today with over 3,700 Newfoundlanders and Labradorians building our project for our province.
3. Newfoundlanders and Labradorians are playing a major part in this historic project. In June, 84% of the project's work force was from our province, and it's estimated that \$590 million in wages have been earned by residents of our province working on our project.
4. Since the start of the project, \$870 million has been spent with NL based businesses. There is a tremendous amount of spin of benefits for businesses and industries in our province. There's around 500 NL (TBC) companies who are benefitting from direct work as well as supplies/services for the project.

Speaking Points:

- Today, we are well on our way with construction on all components of the project. Our work is being performed safely and in an environmentally-responsible manner.

- Currently, construction activities and manufacturing for various components are underway at more than 100 different work fronts around the province and around the globe. In the province alone, we are working from Churchill Falls in Labrador to St. John's.
- Construction of the new transmission lines in Labrador and on the island are proceeding well.
 - On the AC line between Muskrat Falls and Churchill Falls, our contractor has already strung over 78 km of wire on the line. Almost all of the tower foundations are installed and over 72% of the towers are erected.
 - I'm pleased to say that this line should be significantly completed later this year.
- We also have right-of-way clearing and access road construction activities at multiple locations around the province, on the Northern Peninsula, into central Newfoundland and heading east.
 - This work is around 67% complete in Labrador and 32% complete on the island.
- Construction on our transmission projects is going well and is on schedule to deliver power from Churchill Falls in Labrador to the island in late 2017.
- In the Strait of Belle Isle, where the transmission line from Muskrat Falls will be installed on the sea bed to connect to the island, our in-house team has been making strides in the industry. The first land cables will start to be installed in September and the final of the three marine cables should be completed early this fall. We are on track for the installation of the three marine cables across the Straits next year.
- The work on the North Spur started earlier this year and is also going well. The contractor is well underway and the geotechnical conditions we are seeing are what we expected. There are no surprises here.
- At the Muskrat Falls hydroelectric site, as you know Astaldi's work got off to a slow start and things are not where we want them to be at this point. We're not happy about this slower than planned progress, but things are turning around. We know that this is a manageable situation and it is being properly addressed and managed.
 - Our management team, with Astaldi, have put a lot of work and effort in and we are seeing the results of this work. Astaldi is producing concrete today at record levels – performance that is as good as or better than what we've seen from other worksites in North America.
 - We're seeing great progress on concrete placement for the spillway and powerhouse, which are two of the main components of the generating facility. Concrete for the spillway piers and slabs is nearing completion and is moving into the next phase – which is the installation of the spillway gates by Andritz. With this work progressing well, we are on track for river diversion through the spillway next year.
 - Concrete placement in the powerhouse is also underway and we are seeing peak concrete production rates.
 - Over the last three months, Astaldi has tripled its concrete placement, pouring 24,000 cubic metres of concrete in July (about 10 Olympic-sized swimming pools). Since May, Astaldi has tripled its concrete placement - pouring more than the concrete in the Empire State Building over the last three months.

- We've had significant construction progress so far but two other significant items are our safety and environmental performance. We have worked over 13 million hours of work completed.
- As I mentioned, we are on track for power from Churchill Falls to the island on our new transmission lines in 2017 and power from Muskrat Falls in 2018.
- In 2017, we will start commissioning and startup and it will be the first time that the island will be connected to Labrador and the North American grid and we will gradually bring power from Labrador to the island and replace Holyrood generation. The Maritime Link is also planned to be ready and we will work with our partners Emera to integrate that link into our system.
- Following this, in 2018 we will be bringing on the Muskrat Falls units and gradually integrate that power into the system. We will carry out our start up and performance testing of the integrated systems. This is a complex process as we have teams already in place working on this and getting ready for bring these units on line.

Theme 2: We are having some challenges.

Market Factors

Key Messages:

1. While we are making great progress in many areas, we are facing cost and schedule challenges and not everything is going exactly as planned.
2. Similar to other construction projects in Newfoundland and Labrador, across the country and around the world, we are also experiencing changing market conditions in the extremely active construction industry and this is driving the capital costs of the project.
3. We are experiencing a very competitive market and market pressures are increasing the price of the work and the contracts we require for the Muskrat Falls Project. Our latest contract prices reflect that increasing cost pressures. Our contractors are risk adverse and their prices reflect that.

Speaking Points:

- We continue to experience a perceived risk by the market and competitive market conditions and this is driving up the cost of bids and work on the project.
- Contracts for the stabilization of the North Spur, the North and South Dams, Mechanical and Electrical Auxiliaries, and some transmission line work have come in above the original estimated amount.
- We are operating in a highly competitive labour market with significant construction activity ongoing in NL, North America and globally.
- There are also cost increases associated with managing work remote work sites.
- We have measures in place to mitigate these market impacts as best we can. We have a competitive bid process that attracts internally bids. We go world-wide to get the best prices for our work.

- Cost increases from these market factors on the project account for about a 70% cost change over the last 14 months, and an additional \$462 million in project costs. We've also experienced some savings in our contracts (\$61 million) and this has been used to offset these cost increases.

Reliability Improvements & Design Enhancements

Key Messages:

1. We continue to make additional strategic investments in the project to enhance system reliability, increase project productivity and improve safety. These are deliberate, carefully considered decisions that bring value in the long term but do come with additional costs upfront.
2. These investments are providing long-term value, but there are additional costs upfront.
3. We are also adapting to the geotechnical conditions of the transmission line terrain.

Speaking Points:

- Throughout construction of the transmission line we've made strategic and deliberate decisions to construct some permanent access roads, bridges and other infrastructure in challenging terrain or remote areas, rather than temporary infrastructure.
- For the transmission line we are building almost 100 bridges and adding more access routes and culverts. Once the project is turned over to Hydro for operation, these bridges will ensure access into very remote locations to enable safe and efficient access to this critical piece of our electrical infrastructure.
- We've also made some design enhancements to the transmission line equipment as a result of the various geotechnical conditions we've encountered. We've increased the length of some guy anchors and tower weight and changed the types of some foundations to accommodate soil conditions and increased the quantity of some materials which were required for geotechnical conditions.
- These investments we have made are targeted at improving long-term reliability and represent approximately 18% increase on facilities capital since last June.
- These reliability improvements on the project are around \$120 million since last year.

Contractor Performance and Project Management Execution Costs

Key Messages:

1. Our project team is putting tremendous effort into the more than 200 contracts that we manage across the globe.
2. The majority of the work is going very well and on track. Some contracts however, have required more direct project management from our team than others and there are additional costs associated with this work.

3. Our project management team is closely overseeing a lot of the work and is hands on with our contractors for safety, environment, and quality and providing overall management oversight.
4. We are also experiencing some harsh working conditions which are having an impact on construction and requiring additional project management oversight by our team.

Speaking Points:

- Our team has put tremendous effort toward working closely with Astaldi to make the changes necessary to bring concrete production fares to where we see them today. While this did take additional investment – in project management costs – those efforts are paying off and we are turning the corner. We’re working hard to keep that momentum going, but we know we still have a lot more work to do together to work to maintain our milestone schedule moving forward through the fall and winter.
- We’ve also needed to increase site services at the Muskrat Falls camp as the total anticipated number of workers accommodated at the camp has increased.
- We’ve also providing additional oversight on some of the transmission line work.
- Working in Labrador, our contractors and workers are experiencing harsh winter as well as tough geotechnical conditions in interior Labrador. While this couldn’t be predicted before work began and crews were in the field, this has resulted in some additional costs. The difficult geotechnical and winter weather conditions experienced by contractors has resulted in higher construction costs for the transmission lines.
- Contractor performance and our additional project management oversight is around \$81 million (about 12% of the cost changes).
- We are confident that our additional contractor oversight is benefitting the project and ensuring it will benefit our milestone schedule and cost.

Theme 3: These cost changes will have an impact on our customers.

- In 2020, electricity rates for households on the island are projected to be around 19.6 cents per kilowatt hour which is about \$298 for an average monthly bill, just over ½ cent higher than the rate estimated in June 2014 (accounting for the removal/comparison for the residential energy rebate).
- With the cost pressures and increases we’ve experienced on the project over the last year, this will mean about an additional \$9 per month to the average residential customer in 2020.
- This includes anticipated rate increases with Muskrat Falls in service and all planned capital projects by Hydro on the island.
- When Muskrat Falls is fully operational and our province is powered almost exclusively by renewable energy sources, rates will stabilize for customers, increasing on average around one to two per cent per year.
- I understand people’s concerns of the impact on their electricity rates. For our seniors and individuals on fixed incomes it’s tough to hear about electricity rates increasing. I assure you

that we are working on ways to try and virtually eliminate any rate increases as a result of these recent cost changes. (For discussion based on policy decisions – TBC)

Theme 4: Muskrat Falls will bring many benefits to our province

Key Messages:

1. The development of Muskrat Falls remains the best energy project to meet our electricity needs in this province. It still makes sense. We are meeting our increasing demand for power, shutting down Holyrood, eliminate greenhouse gas emissions.
2. The Muskrat Falls Project will be paid off in 35-40 years. Unlike operating the Holyrood plant when each year all we are doing is paying money to oil company to buy fuel. Essentially we would continue renting with nothing to show for our money. With Muskrat Falls we are paying ourselves and our asset (or house) will be fully paid off.
3. This project is part of our province today and part of our history. No different than the Bay d'Espoir and Churchill Falls hydro developments. Muskrat Falls is our future.
4. Muskrat Falls will transform our province from an economy dependent on non-renewable resources to an economy built on renewable, sustainable energy resources.
5. We know the Muskrat Falls Project will generate significant value and cash flows for our province – in the range of approximately \$35 billion in nominal value over the life of the project. This money will be reinvested in our people, our province, our kids and grandkids that could also be used to offset future rate increases if required.

Speaking Points:

- When the decision was made to proceed with the Muskrat Falls Project, we didn't factor in future costs of for greenhouse gas emissions from our thermal facilities – we know this is inevitable and coming sooner rather than later. We can look to recent announcements by President Obama the Clean Energy Plan in the US to put limits on carbon pollution from power plants.
- We also didn't assume the value from our export sales.
- The development of Muskrat Falls will set the stage for Newfoundland and Labrador to manage its own energy and economic future without relying on others to meet our power needs. That means an end to burning fuel at Holyrood and the retirement of this plant.
- The project is also bringing economic and employment benefits to the province during construction, will mean savings for homes and businesses through stable electricity rates long into the future, and will set the stage for Newfoundland and Labrador to manage its own energy and economic future without relying on others to meet our power needs.
- There are some unique features about hydro plants – you incur all the costs and construction risk upfront and it can be a sticker shock. However, what we know and experience from our

existing plants like Bay d’Espoir and Granite Canal, hydro plants produce a steady stream of power output that doesn’t decline – this will last for generations at fairly minimal operating costs.

- We look to the experience of other jurisdictions who are hydro based – BC, Manitoba and Quebec – they have among the lowest electricity rates in the country. They were in the same position once as we are today and they made their investments and today these provinces are reaping the rewards of stable, lower-electricity rates compared to jurisdiction who rely on thermal generation.
- With Muskrat Falls and the Maritime Link in service, this will mean enhanced reliability and dependability for our province and our electricity customers. This will also help Nova Scotia to meet their GHG targets.
- We are looking forward to the day when Muskrat Falls is in service and generating clean, renewable energy for our province and also returning value to our province from the export of our surplus power.
- We have a highly qualified team of Nlers in place with expertise on large-scale project management and construction. We are employing best practices in project and contract management to ensure project costs and schedule are effectively managed for the benefit of the people of the province.

SPOKESPERSON/PRESENTATION BRIEFINGS

Nalcor Energy

Ed Martin, CEO, Nalcor Energy – NL Government, inc Cabinet, Boards and Emera
 Gilbert Bennett, VP, LCP, Paul Harrington and Jim Meaney – Boards and OC
 Paul Harrington and Jim Meaney - Government of Canada and MWH

COMMUNICATIONS MATERIALS

Materials Required:

1. Briefing decks by target audience – project update, cost challenges and impacts
2. Info graphic on benefits
3. Info graphic on project progress
4. Stakeholder information sheet on benefits of MF – Our Project, Our People, Our Benefits
5. Employee/Worker/LCP team information – Our Project, Our People, Our Benefits
6. Information for letters to the editor from stakeholders
7. Video/pictures showing MF site and progress
8. Letter to the Editor from Ed

SCHEDULE FOR MF PROJECT UPDATE (AS OF AUGUST 19/15)

AUGUST/SEPTEMBER 2015 (Monday-Friday)

3 Preparation of plans and materials	4 Meeting to discuss plans for MF update	5 Holiday	6 Meeting to discuss plans for MF update	7 Notify Gov't of plan
10	11 Set up Board meetings/calls for Aug 20 (PH)	12 Review materials & presentation	13 <i>Note: Nalcor Q2 update</i>	14
17 Premier/DNR briefing (EM/GB) at 10:00 am	18 <i>Note: Ed speaking at IBEW</i>	19	20 Board Briefings: 1. MFCo 2. LTA Co 3. LILGP Co	21 <i>Note: EM out of town</i>
24 <i>Note: EM out of town</i>	25 Project Updates via call: Nalcor, LIL Op Co, LIL HoldCo & LCMC (tentative)	26	27	28
31	1	2	3	4
7 Holiday	8	9 <i>Note: Start of GRA hearings</i>	10 Cabinet briefing (EM & GB) OC Briefing (GB, JM, SP) P.M.	11 Call with IE and NRCan (PH, JM) P.M.
14	15 Caucus update (EM, GB) Call to Emera (EM)	16 MF update for media with EM/GB. Targeted media interviews Note to Nalcor Boards/LT Email to LCP & Nalcor employees	17 Targeted media interviews	18 Follow up media for Ed (as required) Specialty media interviews